# Testimony for Joint Legislative Budget Hearing on Taxes

## February 10, 2014

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**New Yorkers for Fiscal Fairness**

I would like to thank the distinguished members of the fiscal committees for the opportunity to testify here today.

My testimony will focus on the tax cuts proposed in the 2014-2015 Executive Budget. NYFF believes:

- the property tax freeze is ill-conceived and will disproportionately benefit wealthier localities;
- the homeowners' and renters' personal income tax credits are ineffectively targeted;
- the proposed business tax reductions should be put in the context of an already declining corporate share of state tax collections, and the tripling in business tax credits to $1.7 billion over the past 8 years (over $1 billion of those credits are refundable and represent checks written by the state to individual companies);
- the proposed bank tax repeal and its replacement are likely to mean a sharp reduction in state tax payments by the largest New York City banks; and
- the proposal to slash the estate tax by 40 percent holds great irony given the state's pronounced income polarization in recent years. This cut will cost almost $800 million annually, with more than half going to just 200 super-wealthy households a year.

**The tax freeze is ill-conceived and will send more money to wealthier localities, the circuit breaker and the renters credit are ineffectively targeted, the bank tax repeal is a windfall for large banks, and New York simply can't afford costly estate tax cuts.**

(in millions)

| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Cumulative |
|---|---|---|---|---|---|
| **Personal Income Tax** | **(325)** | **(735)** | **(1,248)** | **(1,658)** | **(3,966)** |
| Close the Resident Trust Loophole | 75 | 225 | 150 | 150 | 600 |
| Establish the Real Property Tax Freeze Personal Income Tax Credit | (400) | (976) | (475) | - | (1,851) |
| Establish the Residential Real Property Personal Income Tax Credit | - | (200) | (525) | (1,000) | (1,725) |
| Establish a Renter's Personal Income Tax Credit | - | (200) | (400) | (400) | (1,000) |
| Other | - | 416 | 2 | (408) | 10 |
| **Business Taxes** | **67** | **(118)** | **(271)** | **(267)** | **(589)** |
| Streamline Corporate Audit Procedures (Administrative)* | - | 172 | 172 | 172 | 516 |
| Reform the Investment Tax Credit | 65 | 65 | 65 | 65 | 260 |
| Repeal the Financial Services Investment Tax Credit | 30 | 30 | 30 | 30 | 120 |
| Subtotal Total Business Tax Increases | 95 | 267 | 267 | 267 | 896 |
| Corporate Tax Reform | - | (205) | (346) | (346) | (897) |
| Establish a 20 Percent Real Property Tax Credit For Manufacturers | - | (136) | (136) | (136) | (408) |
| Eliminate the Net Income Tax On Upstate Manufacturers | (24) | (24) | (25) | (25) | (98) |
| Subtotal Other Business Tax Decreases | (24) | (365) | (507) | (507) | (1,403) |
| Other Business Tax Cuts | (4) | (20) | (31) | (27) | (82) |
| **Other Actions** | **(40)** | **(183)** | **(375)** | **(612)** | **(1,210)** |
| Reform the Estate Tax** | (33) | (175) | (371) | (612) | (1,191) |
| Other | (7) | (8) | (4) | - | (19) |
| **Total All Funds Legislation Change** | **(298)** | **(1,036)** | **(1,894)** | **(2,537)** | **(5,765)** |

* After 2018, the streamline audit saving will sunset and not reoccur.

** Estate Taxes continue to rise in the outyears, in 2019 these cuts will be 757 million

Source: 2014-15 Executive Briefing Book (p. 67) and FPI calculations.

**There is a real question whether New York can afford sizable multi-year tax cuts while enduring 4 more years of austerity budgets on top of the past 6. In addition, the specific tax changes proposed are all highly problematic.**

- We will discuss the proposed tax cuts in three categories:
  - A real property tax "freeze" as a personal income tax credit
  - Two personal income tax credits, with one geared to provide property tax relief to low- and middle-income homeowners (defined as those with total incomes up to $200,000), and the other geared to renters with federal adjusted gross incomes up to $100,000
  - Repeal of the bank tax and other business tax cuts, and a substantial estate tax reduction

- The 2-year property tax "freeze" costs $1.8 billion over the next three fiscal years. It adds a perverse incentive to the pressure already created by the statewide 2% property tax cap enacted 3 years ago. This pressure already has forced drastic cuts in schools and other important public services. Under the new proposal, a homeowner only gets an income tax credit in the first year for taxes levied by jurisdictions that stay within the 2 percent property tax cap. In the second year, local governments or school districts must continue to stay within the cap and must develop a plan for sharing or consolidating services to achieve savings.

- Because the property tax cap is instituted as a percentage limit on the growth of a locality's tax levy, the property tax increases possible under the cap are greater for wealthy school districts than for needy school districts. Under the freeze proposal, benefits likely will be concentrated in wealthier districts. Poor and rural governments will receive less because they have greater needs, smaller tax bases and fewer opportunities for consolidation.

## Owners of More Expensive Homes Will Receive Larger Rebates Under the Freeze Proposal

| | HOME A | HOME B |
|---|---|---|
| TAXABLE FULL VALUE ASSESSMENT AFTER EXEMPTIONS | $250,000 | $5,000,000 |
| BASE YEAR TAX BILL @ $20/$1000 ASSESSED VALUE | $5,000 | $100,000 |
| YEAR 1 TAX BILL (2% TAX LEVY INCREASE) | $5,100 | $102,000 |
| YEAR 2 TAX BILL (2% INCREASE OVER YEAR ONE TAX LEVY) | $5,202 | $104,040 |

**TOTAL REBATE OVER TWO YEARS** (ASSUMING ALL MUNICIPAL CONDITIONS ARE MET IN BOTH YEARS):

| | HOME A | HOME B |
|---|---|---|
| | $302 | $6,040 |

# How "Circuit Breaker" credits work and why they make sense.

- A property tax Circuit Breaker is a targeted form of property tax relief. It provides relief to households on the basis of the household's property tax bill (or, its property tax equivalent, for a household that rents its primary residence) and the household's income and the relationship between those two factors.

- The name "Circuit Breaker" is used to describe this type of tax credit since it works to prevent households from being overburdened by property taxes just as an electrical circuit breaker interrupts the flow of current when a circuit becomes overloaded.

- A statute establishing a property tax Circuit Breaker has several key elements.
  - It sets an "affordability threshold" as a percentage of a household's income and it usually defines income very broadly to include all the income available to a household to pay its property taxes.
  - It sets a "credit percentage" and provides for a credit equal to that "credit percentage" times the portion of the household's property taxes in excess of the "affordability threshold" percentage of its income. By not providing a credit for 100% of a household's property tax overburden, households still have a stake in the efficiency and effectiveness of their local governments. But setting the credit percentage too low undercuts the ability of the circuit breaker to provide a meaningful amount of relief to those households that are truly overburdened.
  - It can set a residency requirement (such as the 5-year residency requirement in the most widely supported legislative bills) to ensure that the existence of the Circuit Breaker does not encourage people to buy homes or rent apartments that they cannot afford while still ensuring that relief is available for households whose property taxes have become an inordinate share of their income through no fault of their own because of losing a job or becoming disabled or becoming too old to work but that the existence of the Circuit Breaker.

## The "Circuit Breaker" credit proposed in the Executive Budget is not effectively targeted.

- Despite its high price tag ($1 billion a year when fully implemented), the "Circuit Breaker" credit proposed as part of the Executive Budget will not provide meaningful relief to those long time residents who are faced with property tax bills that represent an inordinate portion of their income.

- The design of the Executive Budget's Circuit Breaker proposal ensures many households that are not overburdened by property taxes will receive Circuit Breaker credits BUT many households that are truly overburdened will not receive a sufficiently large credit to ameliorate their situation. The Executive Budget proposal has this effect by simultaneously setting
  - A low "affordability threshold" of 3%, 4% and 5%, and
  - A low credit percentage (20%, 15% and 10% when fully implemented and even lower during the proposal's first two years of operation), and
  - A low maximum credit of $500 in Year 1, $750 in Year 2, and $1,000 in Year 3.

- The most widely supported legislative bills (S3266/A5884 and S1002/A1941) have credit percentages of 70% and higher affordability thresholds than those being proposed by the Governor. For example, S3266/A5884, when fully phased in, would have affordability thresholds of 6%, 7% and 8.5% compared to the Executive Budget proposal of 3%, 4% and 5%.
  - On a technical matter, S3266/A5384 uses a graduated rate structure to avoid cliff or notch effects but the Executive Budget proposal does not. For example, under the Governor's proposal, a household with a property tax bill of $6,000 would receive a credit of $480 if its income is $119,999 but its credit would only be $180 if its income was $120,001, a mere two dollars more.

## More than 700,000 New York lower- and middle-income households* pay 10 percent or more of their income in property taxes. A quarter million pay 20 percent or more.

| Household income range | Less than 10% of income | 10% to 19.99% of income | 20% or more of income** | 10% or more of income | Total number of households in income range |
|---|---|---|---|---|---|
| | Estimated number of households whose property taxes paid in 2011 were: | | | | |
| $50,000 or less | 539,479 | 250,948 | 237,677 | 488,625 | 1,028,104 |
| $25,000 or less | 152,513 | 101,865 | 153,013 | 254,878 | 407,391 |
| Above $25,000 but not above $50,000 | 386,966 | 149,083 | 84,664 | 233,747 | 620,713 |
| Above $50,000 but not above $100,000*** | 832,026 | N/A | N/A | 213,667 | 1,045,693 |
| TOTAL: All $100,000 or less | 1,371,505 | N/A | N/A | 702,292 | 2,073,797 |

Notes: *Estimates are for homeowning households with income of $100,000 or less and who meet the 5-year residency requirement in the Galef/Little and Krueger/Engelbright Circuit Breaker proposals. **This column, for the $25,000 or less income category, includes households with zero or negative income that paid property taxes in 2011. *** The subtotal of all households in this income range paying 10% or more of income in property taxes in 2011 includes (a) households that paid between 10% and 19.99% of income in property taxes; and (b) households that paid $10,000 or more in property taxes and who, because of top coding, can not be apportioned between the "10% to 19.99% of income" category and the "20% or more of income" category.

Source: Fiscal Policy Institute analysis of microdata from the U.S. Census Bureau's 2011 American Community Survey.

**The Executive Budget's proposed Circuit Breaker is not effectively targeted.**

| Comparison of Parameters of Executive Budget Circuit Breaker and Composite of Most Widely Supported Legislative Proposals (S3266, A5834, S1002, A1941), When Fully Phased-In | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Executive Budget Proposal | | | Brackets From S3266/A5834 and Maximum Credit From S1002/A1941 | | |
| | | Affordability Threshold | Credit Percentage | Maximum Credit | Affordability Threshold | Credit Percentage | Maximum Credit |
| Income Brackets | $0 - $100,000 | 3% | 20% | $1,000 | 6% | 70% | $5,000 |
| | $100,000 - $120,000 | 3% | 20% | $1,000 | 7% | 70% | $5,000 |
| | $120,000 - $150,000 | 4% | 15% | $1,000 | 7% | 70% | $5,000 |
| | $150,000 - $200,000 | 5% | 10% | $1,000 | 8.5% | 70% | $5,000 |
| | $200,000 - $250,000 | - | - | - | 8.5% | 70% | $5,000 |
| | $250,000 and above | - | - | - | - | - | - |

**The Executive Budget's proposed Circuit Breaker provides relief to many households that are not overburdened while providing insufficient relief to many who are.**

| Comparison of Impact of Executive Budget Circuit Breaker and Composite of Most Widely Supported Legislative Proposals (S3266, A5834, S1002, A1941), When Fully Phased In | | | | | | |
|---|---|---|---|---|---|---|
| | | | Executive Budget Proposal (Maximum Credit When Fully Phased In = $1,000) | | Brackets From S3266/A5834 and Maximum Credit of $5,000 From S1002/A1941 | |
| Income | Tax Bill | Tax Before Credit as a Percent of Income | Credit | Tax After Credit as a Percent of Income | Credit | Tax After Credit as a Percent of Income |
| $50,000 | $2,500 | 5.0% | $200 | 4.6% | $0 | 5.0% |
| $50,000 | $5,000 | 10.0% | $700 | 8.6% | $1,400 | 7.2% |
| $50,000 | $7,500 | 15.0% | $1,000 | 13.0% | $3,150 | 8.7% |
| $50,000 | $10,000 | 20.0% | $1,000 | 18.0% | $4,900 | 10.2% |
| $95,000 | $2,500 | 2.6% | $0 | 2.6% | $0 | 2.6% |
| $95,000 | $5,000 | 5.3% | $430 | 4.8% | $0 | 5.3% |
| $95,000 | $7,500 | 7.9% | $930 | 6.9% | $1,260 | 6.6% |
| $95,000 | $10,000 | 10.5% | $1,000 | 9.5% | $3,010 | 7.4% |

## The "Renter's Credit" proposed in the Executive Budget is even more poorly targeted.

- Rather than including renters in the proposed circuit breaker credit through the establishment of a "property tax equivalent" similar to the one included in New York State's decades old low-income Circuit Breaker credit (see the New York State tax form IT-214 and the accompanying instructions) , the Executive Budget proposes a stand-alone renter's credit. In Circuit Breaker statutes, the property tax equivalent for renters is usually established as a percentage of a household's rent.

- While the Executive Budget calls its proposal a "Renter's Credit," the determination of a household's credit under this proposal would not take the amount of rent paid by the household into consideration in any way, let alone by a comparison to the household's income. The amount of a taxpayer's credit is based on his or her, age and number of dependents for federal income tax purposes. Taxpayers younger than 65 are not eligible unless they have more than one dependent.

- By using Federal Adjusted Gross Income as the measure of income for determining eligibility for this credit, rather than a broader definition of income as in the circuit breaker, this Executive Budget proposal leaves open the possibility that high income households with income that is not included in FAGI will benefit.

- Victor Bach, Senior Housing Policy Analyst for the Community Service Society, in testimony prepared for the joint legislative budget hearings, characterized the renter's credit as "an arbitrary 'scattershot' approach to rent relief that is unrelated to household need – something nearly for everyone, like STAR, a squandering of scarce state resources on an unidentified problem."

- Based on this and numerous other technical policy and technical shortcomings, Bach recommends a "circuit breaker" approach to rent relief which scales the benefit in proportion to need and that integrates rent relief into a comprehensive circuit breaker approach that includes homeowner relief.

**RENTER TAX CREDIT (RTC) in NEW YORK CITY*: From Vic Bach, Community Service Society**
**ESTIMATED DISTRIBUTION OF (1st year) BENEFITS**

| | Number of Households | RTC = 0 | RTC > 0 | Benefit per Recipient** |
|---|---|---|---|---|
| **Unsubsidized Renters** | | | | |
| Poor | 225,400 | 46,100 | 179,300 | $ 131 |
| Near-Poor | 331,600 | 54,700 | 276,900 | 104 |
| Middle | 457,700 | 119,200 | 338,500 | 74 |
| Upper Middle | 411,200 | 229,200 | 182,000 | 52 |
| High | 267,600 | 267,600 | --- | --- |
| TOTAL | 1,693,500 | 716,900 | 976,600 | $ 89 |
| **Subsidized Renters** | | | | |
| Poor | 177,300 | 33,000 | 144,300 | $ 126 |
| Near-Poor | 127,300 | 16,700 | 110,700 | 101 |
| Middle | 66,600 | 16,200 | 50,400 | 74 |
| Upper Middle | 24,000 | 12,500 | 11,600 | 53 |
| High | 16,000 | 16,000 | --- | --- |
| TOTAL | 411,300 | 94,400 | 316,900 | $ 106 |

*

*Income Levels:*

| | | |
|---|---|---|
| *Poor* | *Up to 100% Federal Poverty Level* | *$18,000 (based on family of 3)* |
| *Near-Poor* | *100 to 200% FPL* | *$18,000 to 36,000* |
| *Middle* | *200 to 400% FPL* | *$36,000 to 72,000* |
| *Upper Middle* | *400 to 800% FPL* | *$72,000 to 144,000 (RTC cut off at $100,000)* |
| *High* | *Over 800% FPL* | *Over $144,000 (RTC cut off at $100,000)* |

*As used here, "low-income" refers to an income up to 200% of FPL (poor and near-poor)*

** *Benefits double from the second year on.*

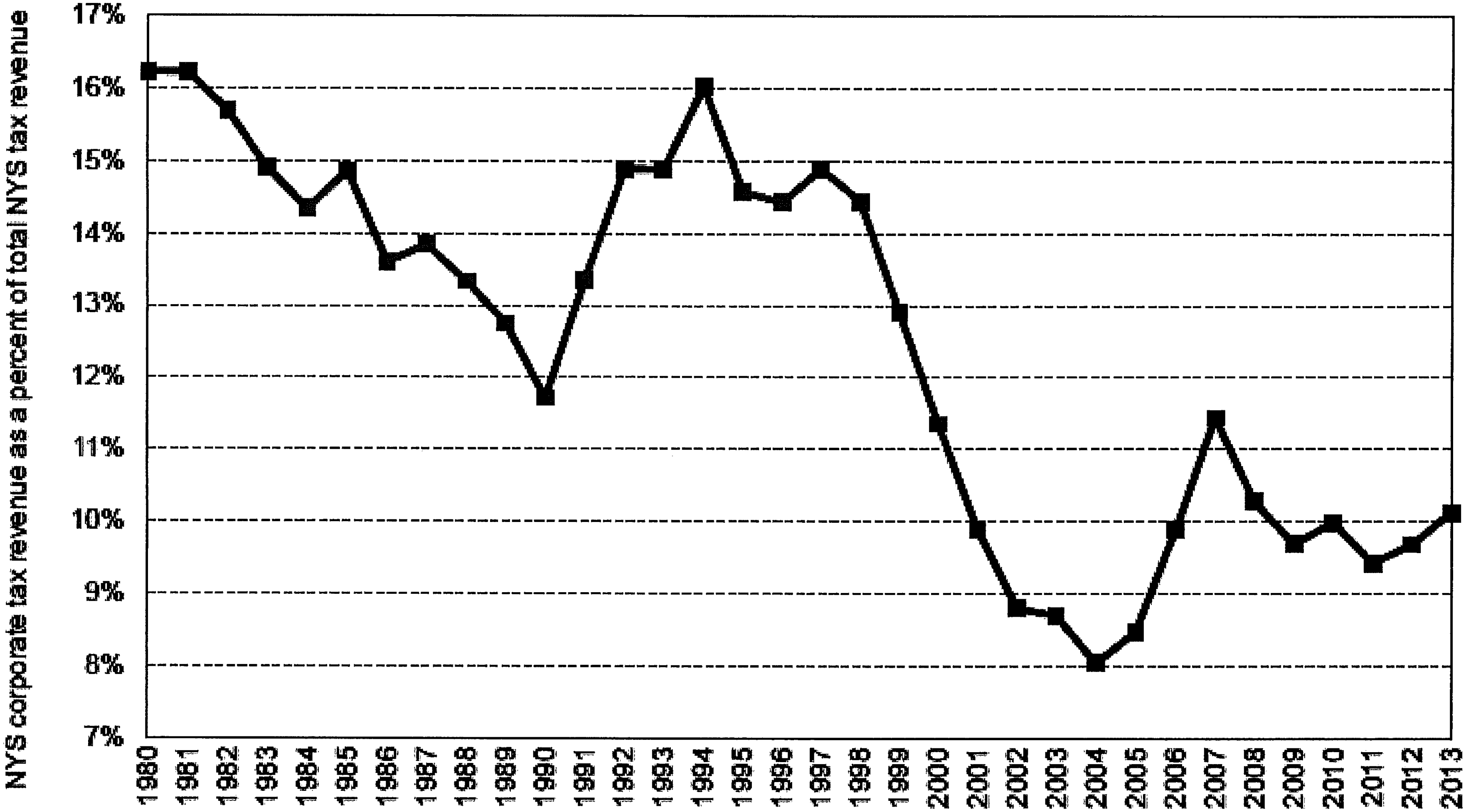
# The "corporate tax reform" component of the Governor's multi-year tax cut package will cost roughly $400 M a year when fully phased in.

- The key elements of the tax program affecting business taxes, include:
  - Corporate tax reform: **-$346M in 2017-18**
    - Main component is repeal of the bank tax and switching banks to the Corporation Franchise Tax. This enables the large NYC-based banks to benefit from the Single Sales Factor net income allocation basis.
    - Reduce corporate tax rate from 7.1% to 6.5%, effective for tax year 2016.
    - The MTA receives roughly $1B a year levied as a surcharge on businesses operating in the MTA area. The surcharge rate will be raised to maintain the amount of MTA funding.
  - Tax cuts targeted to manufacturers: **-$161M in 2017-18**
    - The corporate income tax rate would be reduced to zero for upstate manufacturers, and manufacturers statewide would receive a refundable 20% real property tax credit.
  - Changes that raise revenues: **+$267M in 2017-18 (but dropping to $95M in 2018-19)**
    - Streamline corporate audit procedures: changes intended to improve voluntary compliance will effectively accelerate the receipt of taxes that otherwise would be collected during audits in subsequent years. This affects the timing of collections, but doesn't raise taxes.
    - The tax proposal includes reforming the general Investment Tax Credit (ITC) to save $65M a year, and repealing the financial services ITC to save $30M annually.
- Even before this new round of business tax cuts, total state business tax collections have fallen dramatically as a share of total state taxes. See the chart on the next page. Current tax forecasts, assuming the implementation of the proposed cuts, will reduce the business share of state taxes from 10% in 2013 to 8% in 2017, a level about half of the average that prevailed during most of the 1980s and mid-1990s.
- Projected corporate and bank tax collections for 2014-2015 are forecast to decline by several hundred million dollars because of the "payback" of business tax credits that were deferred during the years 2010-2012 to provide the state with temporary budget relief.

# Is it justifiable to further reduce New York's corporate income taxes?

- The Governor's Tax Reform and Fairness Commission, chaired by investment banker Peter Solomon and former Comptroller H. Carl McCall, closely examined the burgeoning array of New York's business tax incentives. An in-depth analysis prepared for the Commission by economists Don Boyd and Marilyn Rubin documented the explosion in credits from 33 in 2005 to 50 in 2013, with the annual cost of business tax credits rocketing from $600M in 2005 to nearly three times that, $1.7B, in 2013. [see "New York State Business Tax Credits: Analysis and Evaluation," November 2013, at www.pjsolomon.com/news/media/2013-11-13-Tax_Incentive_Study_Final.pdf]
- Among other findings of the Boyd-Rubin report:
  - Business tax credits adjusted for inflation were 9 times larger in 2013 than 20 years earlier in 1994;
  - Benefits are highly concentrated among a small number of firms—only 1 percent of general corporation tax filers are credit users, lower taxes for some businesses mean higher effective tax rates for the vast majority of taxpayers;
  - Despite the high and growing cost, New York's tax credits are "rarely evaluated rigorously and independently against their goals;"
  - Refundable credits accounted for 92% of all credits in 2013. Under a refundable tax credit, if the benefit exceeds the business' tax liability, the state writes a check to the business for the difference. The state has been busy writing more and more such checks.
- Boyd and Rubin also emphasize that despite the sharp rise in the cost of New York's business tax credits, "there is no conclusive evidence from research studies conducted since the mid-1950s to show that business tax incentives have an impact on net economic gains to the states above and beyond the level that would have been attained absent the incentives."
- It is no surprise that the Solomon-McCall Tax Reform and Fairness Commission recommended that New York curtail the use of business tax credits.

## State corporate tax revenues have also declined significantly as a share of total state tax revenues.




Note: Includes bank tax, insurance tax, corporate franchise tax, and corporations & utilities tax.

Source: New York State Department of Taxation and Finance; U.S. Bureau of Economic Analysis (NYS GDP data).

## Bank tax reform provides an unnecessary windfall to the largest banks based in New York

- The rationale behind repealing the bank tax is that financial de-regulation has eliminated most distinctions between commercial and investment banks, and entities historically subject to the bank tax are at a disadvantage since New York adopted single sales factor (SSF) as the basis for apportioning business profits for state tax purposes.
  - Banks are currently subject to a 3-factor apportionment basis that includes payroll, deposits and receipts.
  - If the bank tax is repealed and banks then file under the Corporate Franchise Tax, they would be able to use SSF (receipts) to apportion net income to New York for tax purposes.
  - In effect, extending SSF to banks that have a large presence and payroll in New York allows them the potential to reduce their tax liability if the share of their customer base (by dollar volume) in New York is less than the firm's payroll share.

- The Budget Division has not indicated how much of the projected tax loss resulting from corporate tax reform is due to the repeal of the bank tax versus reducing the corporate tax rate from 7.1% to 6.5%. It could be that the tax loss associated with bank tax repeal is much greater than the net future-year tax $364M loss because other corporate taxpayers might end up paying more as a result of other changes for the corporate franchise tax.

- A provision of the tax reform legislation submitted by the Governor allows financial institutions to use a "fixed percentage method" in lieu of identifying the address of all their customers under a traditional SSF approach. The legislation specifies the "fixed percentage method" number as 8%, apparently determined by New York's share of GDP. However, given the fact that New York has such a concentration of financial activities and that many transactions are between financial institutions, 8% seems like a low figure to use as a proxy for the share of financial business transacted in New York. A more appropriate proxy might be New York State's share of the total securities business nationally—in 2011, that was 39%.

# Proposed estate tax reductions will cost $800M or more when phased in

- There are three main elements in the estate tax proposal:
  - Raising the exemption from estate taxation from the current $1 million to $5.25M, the current federal exemption level;
  - Reducing the top rate in stages from 16 to 10%; and
  - Require the value of gifts to be added back to the estate tax (New York State eliminated its gift tax years ago).

- The estate tax has been generating $800M to $1.2B a year in revenue for New York so a proposal that rises in costs to $612M in 2017-18 and $757M in 2018-19 will seriously erode the estate tax as a significant revenue source for the state. Because of increasing income concentration at the top, in the absence of the proposed reductions in the estate tax, the estate tax would be the fastest growing source of tax revenue for New York State. Before the tax cuts, the estate tax is estimated to double between 2013 and 2019, to $2 billion. The tax cuts will reduce that amount by roughly 40%.

- Because the estate exemption is being raised, all estates paying taxes will pay less. The reduction in the top tax rate from 16 to 10% will be heavily concentrated among a relatively small number (150-200) of very large estates (greater than $10 million.) These large estates likely will see an average tax reduction of $1.5 million or more.

- While the Executive Budget states that "the state's current estate tax policy encourages elderly New Yorkers to leave …, in a report prepared for the Solomon-McCall Tax Commission, the states own tax policy experts concluded: "Migration studies regarding the impact of taxes such as the estate tax have shown that taxes generally are not a major factor in the decision of where to live or retire. … These papers generally show that taxes have very little impact on cross-state migration and estate tax revenues."

- As the table on the following page shows, federal tax data clearly indicate that the number and total incomes of millionaires are rising much faster in New York than in the U.S. overall. Thus, it appears that New York's estate and personal income tax policies are not having a detectable effect in discouraging millionaires from living in New York.

**Even though New York's share of U.S. population declined slightly from 2000 to 2011, New York's share of millionaires rose, and the total income of millionaires rose much faster in New York than in the U.S.**

| | 2000 | 2011 | 2000 to 2011 |
|---|---|---|---|
| **New York State** | | | |
| Total population | 18,976,457 | 19,465,197 | 2.6% |
| Number of tax returns with AGI of $1 millon and over | 25,780 | 38,240 | 48.3% |
| Total income on returns of $1 millon and over | $85,466,363,000 | $139,387,527,000 | 63.1% |
| **United States** | | | |
| Total population | 281,421,906 | 311,591,917 | 10.7% |
| Number of tax returns with AGI of $1 millon and over | 241,068 | 304,118 | 26.2% |
| Total income on returns of $1 millon and over | $760,954,547,000 | $947,002,288,000 | 24.4% |
| **New York State share of United States** | | | |
| Total population | 6.7% | 6.2% | |
| Number of tax returns with AGI of $1 millon and over | 10.7% | 12.6% | |
| Total income on returns of $1 millon and over | 11.2% | 14.7% | |

Note: AGI = Adjusted Gross Income
Source: Tax data from Internal Revenue Service, population from the U.S. Census Bureau.

HEARINGS NEEDED ON STOCK TRANSFER TAX:
Perhaps the stock transfer tax should be eliminated, but we will never know unless the Legislature has full "under oath" hearings at which tax department officials are required to explain the workings of this tax and to answer probing questions from lawmakers.

Whenever proposals have been made to reduce the current 100% rebate, the Tax Department has stonewalled all attempts to evaluate such proposals dispassionately.